



IMPORTANT

2006

YEAR END DIRECTIONS AND FORMS

PLEASE READ AND FOLLOW THESE PROCEDURES. IF YOU HAVE ANY QUESTIONS, CALL THE TAX COMPLIANCE DESK AT (303) 866-5806.

TO OBTAIN 2006 FEDERAL FORMS W-4s, W-4Ss, W-5s AND/OR CIRCULAR E's PLEASE CALL 1-800-829-FORM (3676) OR VISIT THE IRS WEBSITE AT www.irs.gov.

NOTE:

PLEASE REMEMBER ALL COLORADO STATE TAXES MUST BE ROUNDED TO THE NEAREST DOLLAR. THIS INCLUDES ADDITIONAL COLORADO STATE TAX. ANY TRANSACTIONS YOU ENTER TO STATE TAX MUST ALWAYS BE EVEN DOLLARS.

INDEX

	Page
1. General Information/Frequently Asked Questions	3
2. W-2 Correction information	4
3. Overpayments – how to handle.	5
4. List of special earnings types and how to enter into CPPS	6-8
5. Rules governing the taxability of employee moving expenses	9, 10
6. Moving expense worksheet. Use this to calculate the taxable or non-taxable moving expenses for an employee	11
7. Request for Corrected W-2 sample	12
8. The back of a 2006 W-2 explaining what each box on the W-2 represents.	13

General Information and Frequently Asked Questions

TRANSPORTATION BENEFITS

For 2007, an employee will be able to exclude up to \$215 a month for qualified parking expenses and up to \$110 a month for the combined value of transit passes and transportation in a commuter highway vehicle.

401k/403b/457 PLAN CHANGES

The maximum deferrals will change again in 2007. If an employee is under 50, the maximum is \$15,500 per plan. If an employee is over 50, the new maximum is \$20,500. For new year totals, take current limit, increase by new amount then add the over 50 amount to get new limit (15000+500+5000=20500).

The rules that went into effect with the Economic Growth and Tax Relief Reconciliation Act of 2001” (EGTRRA) are still in place. Employees in multiple types of plans may take maximum contributions to a 457 and a 401(k) **OR** a 457 and a 403(b). *401(k) and 403(b) limits are still coordinated.*

How does CPPS calculate Medicare gross? Medicare gross is **all** monies paid to employees except earnings of sick pay final (SKF), clothing (CLO), uniform (UNF), etc. (for a full list of **non-Medicare** eligible earnings codes, contact the tax compliance desk in Central Payroll) less 125 plans. 125 plans are pretax insurances, flex health and flex dependent care, pretax bus passes and pretax parking.

Why doesn't local tax print on the W-2s and why can't an employee file local tax as a tax?

The Aurora, Denver, Glendale and Greenwood Village Occupational Privilege taxes are excise taxes, not local withholding taxes. Local withholding taxes are taken as a percentage based on the amount of money you earn (\$2, \$500, \$999, etc. x 2%). Excise taxes are a flat rate taken no matter what amount of money you earn (\$5.75 on all earnings over \$250 in a month). IRS Publication **529, Miscellaneous Deductions**, page 6 states: “You can deduct an occupational tax charged at a flat rate by a locality for the privilege of working or conducting a business in the locality. If you are an employee, you can claim occupational taxes **only as a miscellaneous deduction** subject to the 2% limit; you cannot claim them as a deduction for taxes elsewhere on your return.” Therefore the occupational privilege tax cannot appear as an ‘income tax’ in box 21 of the W-2.

Anytime an employee is hired to work in **another state or an employee transfers to another state, please notify the tax compliance desk in Central Payroll immediately.** Central Payroll has to apply for a tax account with the new state and then conform to their reporting forms and payment schedules. The affected employee’s W-2 must also show the correct *state of employment*. This does not apply if a *former* employee moves to another state. If a *former* employee moves to another state, simply change the employee’s address in CPPS for the W-2 to be mailed to.

Central Payroll cannot process any refunds for previous years federal, state or local taxes.

Once the W-2 file is transmitted, and subsequently file Form 941, Central Payroll cannot change the tax amounts. It will be up to the employee to re-file their federal and/or state taxes to receive any refunds.

Medicare tax is the only tax that the IRS allows to be adjusted. If a request for a Medicare refund or Medicare is part of the overpayment calculations for a previous year is sent to Central Payroll, a written statement from the employee is needed stating they will not apply to IRS for a refund of the same tax.

W-2 CORRECTIONS

Agencies cannot change W-2's. Central Payroll reports this information to the IRS. If a W-2 must be corrected for any reason, send the request for a corrected W-2 (see attached) along with a copy of the incorrect W-2 to Central Payroll. If all payroll corrections are in place at year-end, there should be a minimum number of W-2s to correct.

PLEASE NOTE: *If a W-2C has to be filed for a corrected W-2 there is a possibility of a penalty, per IRS Notice 90-45.*

COPIES OF W-2's

If an employee needs a duplicate W-2 for any year **after** 1987, please Xerox the agency's copy of the W-2 Wage and Tax Statement for them. Central Payroll does not have to be contacted because Central Payroll does not keep copies of employee's W-2's. If an employee needs a duplicate W-2 for any year **before** 1987, please contact Central Payroll.

OVERPAYMENTS – THE BIGGEST PROBLEM EVERY YEAR

When an employee is overpaid per **Fiscal Rule 9-4**, the following options are available:

- 1 Collect the overpayment from the next available payroll. An RX, RP, or RA transaction is the appropriate transaction to use to process. Please remember to input a minus sign if using an RA transaction.
- 2 If the overpayment is a significant amount of money, a payment plan may be set up in accordance with fiscal rules also using an RX, RP or RA transaction until the net overpayment has been collected in full. Again, please remember to input a minus sign if using an RA transaction. As long as the employee is still being paid this payment plan may cross over the calendar year. **DO NOT USE A PAYROLL DEDUCTION FOR THIS OPTION.**
- 3 If the overpayment cannot be collected using option 1 or 2 an overpayment document must be processed through Central Payroll. The employee writes a check for the *net* overpay amount (payable to the State Treasurer). This check is sent to Central Payroll along with the “Overpay Form”.
- 4 If the employee has been terminated and the agency cannot collect the necessary dollars, the only option available is to create an “IT” transaction debiting the appropriate accounts in the agency (to set up a receivable) and crediting Central Payrolls accounts. (Fund 100, Agency 998, Balance Sheet Account 2223). Send a copy of this “IT” document and the “Overpay Form” to Central Payroll. Handling the problem in this manner credits back the overpaid expense, including the State share of PERA and Medicare to the agency, as soon as the overpayment is processed in CPPS. If and when the employee sends the ‘net overpay’, the check can be deposited into the appropriate account. If money is never received you may send the documentation to Central Collections.

Process the overpayments as soon as possible and definitely before the end of the year. Not processing overpayments in the correct year causes the need for amended tax returns. These take a lot of time and effort and can possibly incur penalties the agency will have to pay.

ATTENTION: THIS IS VERY IMPORTANT

If an OVERPAYMENT must be processed for a terminated employee after calendar year end, federal state or local taxes cannot be included in the gross to net calculations.

It will be up to the employee to re-file their federal and/or state taxes to receive any refunds.

Medicare tax is the only tax that the IRS allows to be adjusted. If a request for a Medicare refund or Medicare is part of the overpayment calculations for a previous year is sent to Central Payroll, a written statement from the employee is needed stating they will not apply to IRS for a refund of the same tax (the statement is included on the Request for Corrected W-2 form).

EARNINGS TYPES

Special earnings types are provided to record taxable income that may or may not have been paid through the payroll system. Explanations of the most common earnings types are given below. For additional information about these transactions, please contact the tax compliance desk at (303) 866-5806 or the Central Payroll manager at (303) 866-3810.

REMINDER: These special earnings types should have been entered in CPPS when the earnings were paid. If this has been done, relatively few entries should be necessary at this time.

AWARDS AND PRIZES (AWD & BNS)

Prizes, awards and bonuses for services rendered to the State should be treated as wages and reported as income on the employee's W-2. Awards for excellence in community service, charitable activities and safety achievement are not included as income. **All gift certificates should be reported at face value.** Non-cash awards should be reported at the fair market value. Savings bonds should be reported at the fair market value of the bond on the date of the award.

Two earnings types can be used to report bonuses and awards/prizes as taxable income.

Use earnings type **AWD** to record the dollars that were paid thru **COFRS** to the employee. This should be used to record an award/prize/gift certificate given outside the payroll system (ie – a supervisor handing an “award” check created out of COFRS directly to the employee/a supervisor handing a gift certificate purchased with a COFRS warrant directly to the employee).

Use earnings type **BNS** to record the dollars being paid to the employee through **CPPS** for an award or prize (ie – a supervisor handing a certificate to an employee which states that the employee will be receiving an “award” on his/her next payroll check).

Neither earnings type generates a retirement (PERA) gross.

An AP or an RA transaction should be used to enter either AWD or BNS. Use the correct dollar amount and no hours.

VEHICLE USE

Ordinarily, employees are expected to reimburse the State for personal use of a State vehicle. Other than "Control Employees" (elected officials or higher income executives) taxable commuting will no longer be administered with a \$60.00 per month reimbursement through a payroll deduction. Instead \$60.00 per month income will be imputed into the employee's paycheck. Thus the employee will be responsible for taxes on that additional amount of income.

Earnings Code “COM” in the payroll system is to be used to administer this program. Enter an AP batch for each employee for each payroll with this earnings code. Use \$60.00 for rate and leave the time blank. This can also be set up on a job screen like “CLO” or “UNF”.

MEALS (MEL & MLA)

Meals paid or reimbursed to the employee are taxable income for the employee per **Fiscal Rule 5-1 (Exceptions to rule: .07)**. This applies **only** to meal allowance for an early breakfast or a late dinner when travel is within a single day and a lodging reimbursement is **not** made.

Use **MEL** earnings type when the employee is being paid for meal allowance through CPPS.

Use **MLA** earnings type to record the dollars being paid through **COFRS** to the employee.

These transactions will build taxable grosses and taxes will be deducted from the employee. The meal allowance will show on the employee's pay stub. The transaction will **not allow** hours to be recorded as part of the transaction. An AP or an RA transaction may be used to enter the earnings codes. Use the correct dollar amount and no hours on the transaction.

TUITION

Payment for job related educational expenses are exempt from federal income tax **if** the education *is job-related and either maintains or improves skills, or is required by the employer or by law*. However, if the education is *required to meet the minimum requirements for the job, or the education will qualify the individual for a new trade or business*, then the education payments are subject to federal income tax.

If you need to enter any taxable educational payments made for your employees, use an RA transaction with the earnings type of **TUI**, the correct dollar amount and no hours. The taxable grosses will build, taxes will be deducted from the employee including Medicare.

WORKER'S COMPENSATION REIMBURSEMENTS WKC, WKM AND IOJ

Worker's Compensation reimbursements paid by Pinnacol Assurance are payments made for an employee unable to work due to a covered injury or illness. Worker's Compensation is *never* taxable to the employee. The employee's taxable gross must be reduced by the amount of the payments. **WKC** or **WKM** is used when Pinnacol sends the payments to the agencies. **IOJ** is used when Pinnacol sends the money directly to the employee.

WKC- earnings posted to this code will decrease taxable grosses and leave taxes withheld unchanged. Use this for employee's who do **NOT** pay Medicare.

WKM- earnings posted to this code will decrease taxable grosses and leave federal and state taxes unchanged, but **WILL** reduce Medicare grosses and taxes. This is used for employee's who pay Medicare tax.

If the employee has been paid a full month's salary through CPPS **AND** Pinnacol Assurance has directly reimbursed the employee 66 2/3% of the salary, the dollar amount paid by Pinnacol is entered into CPPS using **IOJ**.

IOJ- will reduce the employee's gross pay, as well as all taxable and PERA grosses. *(Remember, the employee's leave hours must be restored to the employee).* If the **IOJ** earnings code is used, the employee must also be paid through the payroll system or the transaction will fatal.

Please use an RA transaction to enter these transactions using the lump sum amount, no hours and a **minus** (-) sign for **WKC**, **WKM** or **IOJ**.

EXCESS LIFE INSURANCE (Community Colleges ONLY)

If a retired employee is receiving life insurance benefits and the premium is paid totally by the agency, there needs to be an amount added to their taxable pay at the end of the year for any amount in excess of \$50,000 per month.

The instructions are found in the IRS Publication 525 page 5.

To figure the taxable cost for each month of coverage by multiplying the number of thousands of dollars of insurance coverage for the month (figured to the nearest tenth), less 50, by the cost per age.

John Smith life insurance of 185, 000 per month, age 52 on last day of tax year:

$$\begin{aligned} 185 - 50 &= 135 \\ 135 \times 12 &= 1,620 \\ 1,620 \times .23 &= 372.60 \end{aligned}$$

John Smith's taxable income needs to be increased by \$372.60

Below is the table for cost added per age:

Under 25	.05	50 – 54	.23
25 – 39	.06	55 – 59	.43
30 – 34	.08	60 – 64	.66
35 – 39	.09	65 – 69	1.27
40 – 44	.10	70 – older	2.06
45 – 49	.15		

Use an AP or an RA to enter this transaction. Enter **INS**, with the correct dollar amount and no hours. Dollars entered for **INS** are Medicare eligible. If the employee is retired the uncollected Medicare tax will show in Box 12 on the W-2 with the letter "N".

MOVING **REPORTING**

The IRS has eliminated Form 4782 - *Employee Moving Expense Information*. Employers could continue providing similar information to employees in any format they wish if they find it helpful to employees.

DETERMINE THE TAXABLE STATUS OF THE MOVE:

If the employee **does not** meet the following two tests – ALL MOVING EXPENSES paid to the employee will be taxable to the employee.

When the employee **does** meet the two tests, the attached worksheet will explain which reimbursed expenses is taxable income to the employee.

TEST 1

DISTANCE TEST – Employee's new job location must be at least 50 miles farther from the employee's former home than the employee's old job location was.

Example:

The old job location was 3 miles from the former home; the new job location must be at least 53 miles from the former home.

TEST 2

TIME TEST – The employee must be employed and work full time for at least 39 weeks after arriving at the new job location.

IDENTIFYING THE TAXABLE VS. NONTAXABLE MOVING EXPENSES

Qualified moving expenses an employer pays to a third party on behalf of the employee (e.g., to a moving company) will not be reported on Form W-2.

Therefore any of the following expenses paid to a third party through COFRS does not need to be reported.

1. Cost of packing, crating and transporting household items and personal effects.
2. Cost of storing and insuring household goods within 30-day period of move.
3. Cost of shipping a car and/or pet.
4. Cost of connecting/disconnecting utilities.

Qualified moving expense reimbursements an employer pays to an employee will be reported in Box 12 form W-2 with letter code P.

Other moving expense reimbursements and payments made for nonqualified moving expenses, whether paid directly to a third party or not, will continue to be included in wages on Form W-2 in Boxes 1 and 5 and will still be subject to federal income tax withholding and Medicare taxes.

Some of these types of reimbursements include:

1. Trips back and forth to prior home.
2. Pre-moving house hunting expenses.
3. Temporary living quarters for 30 days after employment.
4. Miscellaneous expense.

RELOCATION (MOVING) RCN, RPN, RCT & RPT

See worksheet to help determine which earnings code you use

RPT is used when the employee is paid through **CPPS** and the reimbursed expenses are **taxable** to the employee. Federal, state and Medicare taxes will be taken on reimbursed items.

RCT is used when the employee's **taxable** reimbursable expenses will be paid through **COFRS** and no payment will be made in CPPS. Federal, state and Medicare taxes will be taken on reimbursed items.

RPN is used when the employee is paid through **CPPS** and the reimbursed expenses are **not taxable** to the employee.

RCN is used when the employee's **non-taxable** reimbursable expenses will be paid through **COFRS** and no payment will be made in CPPS.

Use an AP or an RA transaction code when preparing the timesheet. Do not input hours in the transaction when using **RPT**, **RCT**, **RPN** or **RCN**. *Non-taxable moving has to be recorded in CPPS so it can be reported on the employee's form W-2 (box 12, letter P).*

MOVING EXPENSE WORKSHEET

REIMBURSED EXPENSES TAXABLE TO EMPLOYEE

Moving from old to new residence:

-all meals reimbursed

-trips back and forth to prior home

Pre-moving house hunting expenses:

-all reimbursements to employee _____

Temporary living quarters for 30 days after employment:

-all reimbursements to employee _____

Miscellaneous expenses:

-storage/transporting boat or RV _____

-lease cancellation fees _____

-mortgage cancellation fees _____

-cancelled club memberships _____

Employee's use of his or her own car:

-mileage reimbursement in excess of 15 cents per mile _____

-repairs, general maintenance, insurance, depreciation _____

**REIMBURSED EXPENSES NOT TAXABLE TO EMPLOYEE BUT PAID
DIRECTLY TO THE EMPLOYEE**

Moving Household goods/personal effects:

-cost of packing, crating, and transporting
household items and personal effects _____

-cost of storing and insuring household goods
within 30 day period of move _____

-cost of shipping a car and /or pet _____

Traveling to new home:

-cost of transportation and lodging for employees
members of their household (not necessary to travel together) _____

-includes expenses incurred on day of arrival _____

-employee's use of his or her own car

-actual expenses _____

-18 cents per mile _____

-lodging expenses while traveling

-parking fee/tolls

TOTAL _____

**PLEASE NOTE: COLORADO STATE STATUTE NOW ALLOWS THE REIMBURSEMENT OF .33 CENTS
PER MILE TO BE PAID TO AN EMPLOYEE FOR THE BUSINESS USE OF A PERSONAL VEHICLE. THE
IRS CHANGED THE TAXABILITY OF THIS PAYMENT IF IT PERTAINS TO MOVING.**

THEREFORE FOR EVERY MILE PAID TO AN EMPLOYEE DUE TO MOVING:

.18 CENTS IS NON-TAXABLE

(RPN OR RCN)

.15 CENTS IS TAXABLE

(RPT OR RCT)

REQUEST FOR CORRECTED W-2



TO: DPA - CENTRAL PAYROLL

FROM: Suzy Payroll Officer

SUBJECT: CORRECTED W-2 FOR 2006 CALENDAR YEAR

Employee's correct SSN 999-99-9999

Employee's correct name, Address and zip code	Agency's name, address and zip code
<u>Belle Liberty</u>	<u>Dept. Personnel & Admin</u>
<u>123 Main St</u>	<u>633 17th St. Ste 1600</u>
<u>Somewhere, CO 12345</u>	<u>Denver, CO 80202</u>

Employee's incorrect SSN n/a

Employee's incorrect name n/a

Only enter items to be changed

	PREVIOUSLY REPORTED	CORRECT INFORMATION	<u>DIFFERENCE</u>
* Federal taxable gross	<u>42,623.89</u>	<u>36,288.81</u>	<u>(6,335.08)</u>
Medicare gross earnings	<u>48,986.42</u>	<u>42,705.23</u>	<u>(6,281.19)</u>
Medicare tax	<u>710.30</u>	<u>619.23</u>	<u>(91.07)</u>
**State taxable gross	<u>42,623.89</u>	<u>36,288.81</u>	<u>(6,335.08)</u>

*Federal Taxable gross = dollars printed in box 1 on W2

**State Taxable gross = dollars printed in box 16 on W2

**I UNDERSTAND THAT CHARGES ASSESSED BY THE IRS FOR THIS
CORRECTED W-2 (W-2C) WILL BE THE RESPONSIBILITY OF THIS AGENCY.**

<u>Suzy Payroll Officer</u>	<u>1/29/07</u>
AUTHORIZED SIGNATURE	DATE

**I UNDERSTAND THAT I AM GOING TO RECEIVE A W-2C AND A REFUND
OF MEDICARE TAX FROM THE STATE OF COLORADO AND WILL NOT
APPLY FOR A REFUND FROM THE IRS.**

<u>Belle Liberty</u>	<u>1/29/07</u>
EMPLOYEE SIGNATURE	DATE

BACK OF 2006 W-2

Notice to Employee

Refund. Even if you do not have to file a tax return, you should file to get a refund if box 2 shows federal income tax withheld or if you can take the earned income credit.

Earned income credit (EIC). You must file a tax return if any amount is shown in box 9. You may be able to take the EIC for 2006 if: **(a)** you do not have a qualifying child and you earned less than \$12,120 (\$14,120 if married filing jointly), **(b)** you have one qualifying child and you earned less than \$32,001 (\$34,001 if married filing jointly), or **(c)** you have more than one qualifying child and you earned less than \$36,348 (\$38,348 if married filing jointly). You and any qualifying children must have valid social security numbers (SSNs). You cannot take the EIC if your investment income is more than \$2,800. **Any EIC that is more than your tax liability is refunded to you, but only if you file a tax return.** If you have at least one qualifying child, you may get as much as \$1,648 of the EIC in advance by completing Form W-5, Earned Income Credit Advance Payment Certificate, and giving it to your employer.

Clergy and religious workers. If you are not subject to social security and Medicare taxes, see Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers.

Corrections. If your name, SSN, or address is incorrect, correct Copies B, C, and 2 and ask your employer to correct your employment record. Be sure to ask the employer to file Form W-2c, Corrected Wage and Tax Statement, with the Social Security Administration (SSA) to correct any name, SSN, or money amount error reported to the SSA on Form W-2. If your name and SSN are correct but are not the same as shown on your social security card, you should ask for a new card at any SSA office or call 1-800-772-1213.

Credit for excess taxes. If you had more than one employer in 2006 and more than \$5,840.40 in social security and/or Tier I railroad retirement (RRTA) taxes were withheld, you may be able to claim a credit for the excess against your federal income tax. If you had more than one railroad employer and more than \$3,075.60 in Tier II RRTA tax was withheld, you also may be able to claim a credit. See your Form 1040 or Form 1040A instructions and Publication 505, Tax Withholding and Estimated Tax.

Instructions

Box 1. Enter this amount on the wages line of your tax return.

Box 2. Enter this amount on the federal income tax withheld line of your tax return.

Box 8. This amount is **not** included in boxes 1, 3, 5, or 7. For information on how to report tips on your tax return, see your Form 1040 instructions.

Box 9. Enter this amount on the advance earned income credit payments line of your Form 1040 or Form 1040A.

Box 10. This amount is the total dependent care benefits that your employer paid to you or incurred on your behalf (including amounts from a section 125 (cafeteria) plan). Any amount over \$5,000 also is included in box 1. You **must** complete Schedule 2 (Form 1040A) or Form 2441, Child and Dependent Care Expenses, to compute any taxable and nontaxable amounts.

Box 11. This amount is: **(a)** reported in box 1 if it is a distribution made to you from a nonqualified deferred compensation or nongovernmental section 457(b) plan or **(b)** included in box 3 and/or 5 if it is a prior year deferral under a nonqualified or section 457(b) plan that became taxable for social security and Medicare taxes this year because there is no longer a substantial risk of forfeiture of your right to the deferred amount.

Box 12. The following list explains the codes shown in box 12. You may need this information to complete your tax return. Elective deferrals (codes D, E, F, and S) and designated Roth contributions (codes **AA** and **BB**) under all plans are generally limited to a total of \$15,000 (\$10,000 if you only have SIMPLE plans; \$18,000 for section 403(b) plans if you qualify for the 15-year rule explained in Pub. 571). Deferrals under code G are limited to \$15,000. Deferrals under code H are limited to \$7,000.

However, if you were at least age 50 in 2006, your employer may have allowed an additional deferral of up to \$5,000 (\$2,500 for section 401(k)(11) and 408(p) SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals. For code G, the limit on elective deferrals may be higher for the last three years before you reach retirement age. Contact your plan administrator for more information. Amounts in excess of the overall elective deferral limit must be included in income. See the "Wages, Salaries, Tips, etc." line instructions for Form 1040.

Note. If a year follows code D, E, F, G, H, or S, you made a make-up pension contribution for a prior year(s) when you were in military service. To figure whether you made excess deferrals, consider these amounts for the year shown, not the current year. If no year is shown, the contributions are for the current year.

A—Uncollected social security or RRTA tax on tips. Include this tax on Form 1040. See "Total Tax" in the Form 1040 instructions.

B—Uncollected Medicare tax on tips. Include this tax on Form 1040. See "Total Tax" in the Form 1040 instructions.

C—Taxable cost of group-term life insurance over \$50,000 (included in boxes 1, 3 (up to social security wage base), and 5)

D—Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.

E—Elective deferrals under a section 403(b) salary reduction agreement

F—Elective deferrals under a section 408(k)(6) salary reduction SEP

G—Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan

H—Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan. See "Adjusted Gross Income" in the Form 1040 instructions for how to deduct.

J—Nontaxable sick pay (information only, not included in boxes 1, 3, or 5)

K—20% excise tax on excess golden parachute payments. See "Total Tax" in the Form 1040 instructions.

L—Substantiated employee business expense reimbursements (nontaxable)

M—Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only). See "Total Tax" in the Form 1040 instructions.

N—Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (former employees only). See "Total Tax" in the Form 1040 instructions.

P—Excludable moving expense reimbursements paid directly to employee (not included in boxes 1, 3, or 5)

Q—Nontaxable combat pay. See the instructions for Form 1040 or Form 1040A for details on reporting this amount.

R—Employer contributions to your Archer MSA. Report on Form 8853, Archer MSAs and Long-Term Care Insurance

S—Employee salary reduction contributions under a section 408(p) SIMPLE (not included in box 1)

T—Adoption benefits (not included in box 1). You **must** complete Form 8839, Qualified Adoption Expenses, to compute any taxable and nontaxable amounts.

V—Income from exercise of nonstatutory stock option(s) (included in boxes 1, 3 (up to social security wage base), and 5)

W—Employer contributions to your Health Savings Account. Report on Form 8889, Health Savings Accounts (HSAs).

Y—Deferrals under a section 409A nonqualified deferred compensation plan.

Z—Income under section 409A on a nonqualified deferred compensation plan. This amount is also included in box 1. It is subject to an additional 20% tax plus interest. See "Total Tax" in the Form 1040 instructions.

AA—Designated Roth contributions to a section 401(k) plan.

BB—Designated Roth contributions under a section 403(b) salary reduction agreement.

Box 13. If the "Retirement plan" box is checked, special limits may apply to the amount of traditional IRA contributions that you may deduct.

Note: Keep **Copy C** of Form W-2 for at least 3 years after the due date for filing your income tax return. However, to help protect your social security benefits, keep Copy C until you begin receiving social security benefits, just in case there is a question about your work record and/or earnings in a particular year. Review the information shown on your annual (for workers over 25) Social Security Statement.